

Taking the long view

Lessons in endurance from European family businesses

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Executive summary of the European family business report: COVID-19 edition
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May 2021

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Executive summary

How European family businesses have responded to COVID-19

COVID-19 has had an impact on businesses of every size and type and in every region of the world. Family businesses are no exception and we wanted to find out if their characteristic resilience, agility and entrepreneurial spirit have helped them navigate a more successful route through the unpredictability of the global crisis.

The STEP Project Global Consortium, KPMG Private Enterprise and European Family Businesses (EFB) came together to find out how family businesses have been affected and responded in the Global family business survey: COVID-19 edition, and a close examination of European family businesses specifically. Together, we have examined the initial impact on family businesses, the actions they have taken, and their longer-term outlook for the future.

The initial shock

Not surprisingly, the first commercial shock of the pandemic was felt on companies' revenues worldwide and family businesses in Europe were no exception. As many as 64 percent of European family businesses reported a decline in their revenue, though they fared better than the global average of 69 percent. Eleven percent of European family businesses actually experienced a revenue boost.

The aftershock

Business families responded immediately to address the impact on their businesses, then turned their attention quickly to the longer-term outlook and value of their businesses.

Their responses were seen in three primary activities: stabilizing their business, accessing external support (particularly through government programs) and by taking a long-term view and potentially reimagining the future for their companies.

Stabilizing the business

To stabilize their business in the short term and keep it on a steady course for the long term, many family businesses took cost-reduction measures to address the immediate drop in their income and the impact it had on their cash flow.

In some cases, these measures included **employment-related changes**, such as moving employees to remote working status, which suggests they were able to adapt and adopt digital solutions quickly to transform their business operations. It was notable that European family businesses were less likely to reduce their employees' pay compared with those in other world regions. The actions taken to maintain employment as much as possible reflect the business families' characteristic commitment and loyalty to their employees.



To stabilize their business in the short term and keep it on a steady course for the long term, many family businesses took cost-reduction measures to address the immediate drop in their income and the impact it had on their cash flow. ”

Breaking new ground

Charting a path to Europe's economic renewal

Future



Business transformation: exploring ways to pivot the business to proactively adopt new business models and evolve

33% of European family businesses adopted a business transformation strategy

Long term

Leveraging patient capital: drawing on a long-term value creation mindset and taking the time to undertake special projects and consider new opportunities

42% of European business families adopted a strategy to leverage their patient capital

Social responsibility: aligning the business with the family's purpose and values to protect all stakeholders

25% of European family businesses adopted a social responsibility strategy

Once stable, family businesses adopted strategies to focus on the long term, including:

- social responsibility
- business transformation
- leveraging patient capital

Over **70%** obtained government support

22.56% reported deferring or canceling their R&D investments, particularly in the short term, compared to **17.09%** of non-family European businesses



To stabilize their businesses in the short term and keep them on a steady course for the long term, family businesses implemented:

- employment actions
- cost/investment actions
- executive compensation actions
- changes to business operations



There was a **4.1%** reduction in the workforce compared to an **8.56%** reduction globally

Short term

The majority saw their revenues decline in the short term, however

11% had revenue increases



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Compared to others globally, European family businesses reported **fewer business closures**, with 15 percent closing their businesses temporarily (compared to 16 percent globally) and less than 1 percent who closed their businesses permanently.

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With revenues in decline, however, it was also necessary for many companies to **reduce their general office expenses**, cut back marketing, reduce inventories and, in some cases, **defer the launches of new products or R&D investments**.

Unlike family businesses in other macro-regions of the world, Europe's entrepreneurs were more likely to **raise additional capital** and **take on more debt** to maintain their independence and control.

Compared to others globally, European family businesses reported **fewer business closures**, with 15 percent closing their businesses temporarily (compared to 16 percent globally) and less than 1 percent who closed their businesses permanently.

Family businesses in Europe were also less likely to make **adjustments to executive compensation**, such as reducing their pay levels, deferring payments or considering alternative compensation arrangements.

Accessing government support

Governments across Europe introduced a broad range of support programs to shore up the economy and the businesses that contribute to it. From financial guarantees to wage subsidies, special loan programs and tax deferrals, public financial measures provided a safety net to businesses of all sizes.

Over 70 percent of European family businesses reported that they received some form of government support as the result of rapidly decreasing revenues and shifts in demand for their products and services. Financial support programs, in the form of targeted loan programs, repayment plans and loan guarantees were the most popular, with 48 percent of European family businesses reporting that they accessed this type of support.

Taking the long view

Having achieved a level of stability in their businesses, it did not take long for business families in Europe to turn their attention to familiar territory: the long-term outlook and future prospects for their companies.

We identified three main strategies that family businesses in Europe adopted to respond to the impact of COVID-19 on their business and their families. In most cases, all three strategies were employed by family businesses as the impact of COVID-19 on their business operations changed over time:

1. **Social responsibility:** This strategy addresses the impact of the pandemic on the welfare of society and the needs of all of the family's stakeholders. This strategy closely aligns the business with the family's purpose and values to protect the welfare of their employees and their relationships with customers, suppliers and local communities.

With their long-term orientation and focus on sustaining the family legacy and their belief that all stakeholders are important, business families have made strides in addressing the concerns and needs of their employees, customers and suppliers by showing a superior ability to contribute their social capital when it is needed the most.

Twenty-five percent of European family businesses adopted a social responsibility strategy.

2. **Business transformation:** Business families explored ways to pivot their businesses to first react to the immediate impact of COVID-19 and then to proactively adopt new business models and evolve their businesses in a rapidly changing external environment.

Actions such as streamlining operations and implementing new financial measures, creating new products, exploring new markets or adopting new technology solutions were taken to transform their businesses.

Many family businesses were quick to adopt new technology processes that completely transformed the efficiency of their operations. Others tapped into their family's entrepreneurial mindset to diversify their businesses by creating a new catalog of digital products and technology services that are opening up entirely new markets that weren't even imagined a few months earlier.

Thirty-three percent of European family businesses adopted a business transformation strategy.

3. **Leveraging their patient capital:** Patient capital is at the heart of an entrepreneurial/long-term value mindset. Their response to COVID-19 provided opportunities to recalibrate their business processes, to take the time to undertake special projects and to consider new opportunities for the business that can generate a new source of value over the long term.

This strategy was common in European family businesses that have the financial resources to withstand major changes and challenges to their operations in the short term. We saw from the survey responses that families took the time throughout the pandemic life cycle to assess the longer-term impact of COVID-19 and develop realistic plans for the future.

Forty-two percent of European business families adopted a strategy to leverage their patient capital in support of the long-term value creation of their businesses.



The power behind the business

Through the survey and the direct input of family business leaders, we have reconfirmed the view that European family businesses are, indeed, uniquely resilient and adaptable. They have successfully navigated through generations of economic, health and political crises long before the onset of COVID-19. They have applied these historical experiences to mitigate the disruptions to their businesses, while also looking ahead at their prospects for the future.

We have also confirmed our belief that a unique source of power behind family businesses is the involvement of the family itself, with multiple generations contributing to decision-making and strategy development. This close attention and involvement gives family businesses the ability to respond quickly and to agree on a course of action that is good for the business and for the family over the long term.

Because of their knowledge and exposure to new technologies, we have also seen how younger generations of the family have been increasingly relied upon to respond to the impact of COVID-19 by revealing digital solutions to transform their family's business operations or in developing new technology products or service offerings that are accelerating their businesses into a new future.

Our conclusion is that there are two essential sources of power and endurance behind family businesses: the ability to take the long view and the foresight to tap into the diverse skills, knowledge and insights that are embedded in multi-generational families.

This has provided us with an even greater appreciation for the source of resilience and ingenuity in family businesses and the important influence that family businesses have on both a societal and economic scale.

[Read the full report](#) to learn more.

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